The following is the text of a report from KPMG LLP for the purpose of incorporation in this listing document.

A. AIA EEV Information — Consulting Actuaries' Report

KPMG

KPMG LLP
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

The Directors
Prudential plc
Governors House
Laurence Pountney Hill
London
EC4R 0HH

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Dear Sirs

Consulting Actuaries' Report

1 Introduction

1.1 This report sets out the European Embedded Value ("EEV") results of AIA Group as at 30 November 2009 as prepared by Prudential. Further, it sets out the contribution to the EEV of new covered business written in the twelve months prior.

1.2 Prudential has prepared these EEV results with the intention of complying with the EEV Principles issued by the CFO Forum of European Insurance Companies with the exception of certain disclosure requirements. The EEV results for AIA Group are prepared for "covered business", as defined by the EEV Principles.

1.3 The EEV results do not reflect any consequences of the proposed acquisition of AIA Group by Prudential or events subsequent to 30 November 2009.

1.4 KPMG LLP has been engaged by Prudential to consider its preparation of the EEV results and provide an opinion in relation to those results and their compliance with the EEV Principles.

2 Overview of AIA Group

2.1 AIA Group is incorporated in Hong Kong and operates through a number of subsidiaries and branches. AIA (American International Assurance Company Limited) is a subsidiary of AIA Group. AIA-B (American International Assurance Company (Bermuda) Limited) is a subsidiary of AIA.

2.2 AIA, which directly writes business in Hong Kong and Macau*, has subsidiaries in Australia, the Philippines (Philamlife) and Malaysia, and a subsidiary AIA Pension and Trustee Company Limited* which also writes business in Hong Kong. AIA also has branches in China, Singapore, Brunei and Thailand.

2.3 AIA-B has subsidiaries in Vietnam and Indonesia (PT AIA Financial), together with branches in Hong Kong and Macau*, Korea, New Zealand and Taiwan, and an associate in India, Tata AIG.

* Note these three entities are referred to as AIA Hong Kong (see 2.7 below)

Insurance company fund structures

2.4 The insurance businesses within the different countries that AIA Group operates are structured in a number of different ways.

2.5 In Thailand, the Philippines and Taiwan, there is no segregation of different funds and all assets and liabilities are maintained within a single fund. The fund structures of the other businesses are discussed below.

2.6 There are a number of territories in which AIA writes general insurance business, i.e. Thailand, Hong Kong and Malaysia. The business written as general insurance in Thailand is Personal Accident, and in Hong Kong, Personal Accident and Group Medical, whilst only Malaysia writes "true" general insurance business, such as motor and fire. Within a number of territories (Thailand, China, Korea, Singapore and the Philippines) there are other entities, such as property management and asset management companies, which are small relative to the rest of the business.

Hong Kong

2.7 AIA Hong Kong writes business in Hong Kong, with a small amount in Macau. Policies are denominated in a mixture of US and Hong Kong dollars, and AIA Hong Kong comprises:

- Hong Kong and Macau business written directly by AIA;
- Hong Kong and Macau branches of AIA-B; and
- AIA Pension and Trustee Company Limited ("AIAPT").

2.8 AIA Hong Kong maintains a shareholders' fund which contains assets available to meet capital requirements and the liabilities of general insurance business together with separate funds for life assurance including annuities, for linked long term business, for permanent health business and various other funds for pensions business.

2.9 The proportion of the surplus that arises on participating business and which is distributed to policyholders varies by product.

Malaysia

2.10 AIA Malaysia maintains a shareholders' fund which contains assets available to meet capital requirements and separate funds for participating business, non-participating business, investment-linked business and general insurance business. Shareholders are entitled to up to 10% of the profits arising from the participating fund.

Singapore

2.11 The Singapore branch of AIA maintains a shareholders' fund which contains assets available to meet capital requirements together with a separate policyholder fund for participating business where shareholders are entitled to 10% of the profits arising from the fund. The vast majority of the participating business is Singapore dollar denominated. Separate funds are also maintained for non-participating business and investment-linked business.

Brunei

2.12 The Brunei branch of AIA maintains a shareholders' fund which contains assets available to meet capital requirements. A separate policyholder fund for participating business is maintained where shareholders are entitled to 20% of profits arising from the fund. Separate funds for non-participating business and investment-linked business are also maintained.

China

2.13 The China branch maintains a general fund covering traditional non-participating business and non-unit reserves from both universal life and unit-linked business, plus surplus assets which are available to meet solvency capital requirements and are attributable to shareholders. A separate policyholder fund is maintained for participating business where shareholders are entitled to either 20% or 30% of the profits arising from the fund depending on the product. There are also separate policyholder funds for universal life business and for investment-linked business. The funds are segregated as required by the regulators.

Korea

2.14 The Korea branch maintains a Separate Account fund which contains the assets and liabilities related to Variable Universal Life (VUL) products and variable annuities. VUL products comprise most of the Separate Account business. There is also a General Account fund which contains all other assets and liabilities except those related to VUL products and variable annuities.

Indonesia

2.15 AIA Indonesia maintains a general fund which contains the assets and liabilities in respect of all non unit-linked business and includes shareholder funds. Shareholders are entitled to 100% of the surpluses arising from participating business after payment of policyholder dividends. A separate fund for investment-linked policies is also maintained.

Australia

2.16 AIA Australia maintains a shareholders' fund where assets are available to meet capital requirements. It also maintains a statutory fund which includes participating and non-participating sub-funds, as well as an annuity sub-fund and shareholder participation varies in these sub-funds. A separate statutory fund for investment-linked business is also maintained.

Vietnam

2.17 AIA Vietnam maintains a shareholders' fund where assets are available to meet capital requirements. A separate policyholder fund is maintained for participating business where shareholders are entitled to up to 30% of the profits arising, depending on the product. A separate policyholder fund for non-participating business is also maintained.

Shareholders' interest in emerging profits

2.18 The limits on distributions from policyholder funds to shareholder funds that have been allowed for in determining the EEV figures are:

- limits on participation by shareholders in segregated participating funds;
- local regulatory reserving and capital requirements; and
- Hong Kong reserving and capital requirements for the Hong Kong entities and their branches.

2.19 For all funds other than segregated participating funds, the shareholders are entitled to 100% of profits arising, subject to the above limitations.

2.20 With regards to distributions from the local businesses to AIA Group, AIA may be limited by regulators in distributing surpluses from one part of the group to another. No such restrictions were anticipated in the EEV projections.

3 Basis of preparation

3.1 With the exception of certain disclosure requirements which are set out below, the EEV basis results have been prepared in accordance with the EEV Principles issued by the CFO Forum of European Insurance Companies in May 2004 and expanded by the Additional Guidance on EEV Disclosures published in October 2005.

3.2 The following areas are not in compliance with the Additional Guidance on EEV Disclosures:

- Sensitivities have not been disclosed in respect of a 100 basis points pa reduction in the interest rate environment, a 10% decrease in equity / property capital values, or a 100 basis points pa increase in the yield on equity / property assets.
- As an alternative to the above sensitivities, a 100 basis points pa increase and reduction in the projected earned rates assumed in valuing the in-force and new business has been disclosed.
- An analysis of the return on embedded value has not been included. As embedded value reporting was not a component of AIA Group's day to day management reporting, embedded values have not been calculated at prior period ends.

3.3 The Directors of Prudential are responsible for the preparation of the embedded value information in this report in accordance with the EEV Principles, with the exceptions noted above.

Covered business

3.4 The EEV results for the AIA Group business are prepared for "covered business", as defined by the EEV Principles, and are shown net of any minority interests in the subsidiaries of AIA Group. Covered business represents AIA Group's long term insurance business for which the value of new and in-force contracts is attributable at least in part to shareholders. Tata AIG, which is 26% owned by AIA-B, is included in the adjusted net worth on an IFRS basis.

3.5 The definition of long term insurance business comprises those contracts falling under the definition of long term insurance business for regulatory purposes. For the sake of clarity, this excludes internal asset management business, general insurance business and property management business. Personal accident and group medical expenses business is included in the definition of covered business. Net assets of the non-covered business are included in the net assets of the total EEV on an IFRS basis.

4 Methodology

Overview

4.1 The embedded value is the present value of the shareholders' interest in the earnings distributable from assets allocated to covered business after sufficient allowance has been made for the aggregate risks in that business. The shareholders' interest in AIA Group's long term business comprises:

- the present value of future shareholder cash flows from in-force covered business (value of in-force business), less a deduction for the cost of locked-in (required) capital;
- locked-in (required) capital; and
- the shareholders' net worth in excess of required capital (free surplus).

4.2 The value of future new business is excluded from the embedded value.

4.3 Notwithstanding the basis of presentation of results, no smoothing of market or account balance values, unrealised gains or investment return is applied to determine the embedded value.

Valuation of new business

4.4 The contribution from new business represents the profits determined by applying the same operating and economic assumptions as those used for the 30 November 2009 value of in-force business. The only exception to this is for Hong Kong and Thailand where the long term returns were used for the whole projection period as opposed to grading to market yields. The impact of this difference is immaterial.

4.5 For Business Units that are in a development phase, or where the 2009 new business volumes are significantly lower than in previous years, expected acquisition expenses as opposed to actual acquisition expenses have been used.

Value of in-force business

4.6 The embedded value results are prepared incorporating best estimate assumptions about all relevant factors including levels of future investment returns, expenses, persistency, morbidity and mortality. These assumptions are used to project future cash flows. The present value of the future cash flows is then calculated using a discount rate which reflects both the time value of money and the non-diversifiable risks associated with the covered business that are not otherwise allowed for.

4.7 The total profit that emerges over the lifetime of an individual contract, as calculated using the embedded value basis, is the same as the total calculated under the IFRS basis. Under embedded value methodology, the profit emergence is advanced as the embedded value basis reflects discounted future cash flows, thus more closely aligning the timing of the recognition of profits with the efforts and risks of current management actions, particularly with regard to business sold during the year.

Cost of capital

4.8 A charge is deducted from the embedded value for the cost of capital supporting AIA Group's long-term business. This capital is referred to as required capital. The cost is the difference between the nominal value of the capital and the discounted value of the projected releases of this capital allowing for investment earnings (net of tax and investment management expenses) on the capital.

4.9 The capital assumed in the calculation of the cost of capital is consistent with the definition of "Level of required capital" set out further below. The local regulatory and capital requirements are projected at the country specific earned rates assumed in the embedded value (after allowing for any investment management expenses and tax), and discounted at the country specific discount rates. Any additional capital required to meet the higher of the Hong Kong regulatory capital basis and the local basis is projected at the Hong Kong earned rates (net of tax and investment expenses), and discounted at the discount rate relevant to Hong Kong.

4.10 The annual result will be affected by the movement in this cost from year to year which comprises a charge against new business profit and generally a release in respect of the reduction in capital requirements for the run-off of business.

Nature of options and guarantees in AIA Group's long term business

4.11 The principal options and guarantees in AIA are those in relation to participating contracts which offer discretionary bonuses, some of which when added to the contracts form a guarantee, together with dividend and coupon accumulation contracts which when added to contracts are also guaranteed.

4.12 For the majority of participating business, the assets and liabilities are maintained in a separate fund, some of which are segregated funds and the cost of any options and guarantees accrue to the fund in the first instance. The key exception is Thailand where one fund exists for all assets and liabilities, and bonuses and dividends are at the discretion of AIA Thailand.

4.13 The dividend and accumulation contracts generally have minimum crediting rates of zero, except on pre-1977 Singapore and Hong Kong business which has a guaranteed minimum crediting rate of 3%. Thailand has guaranteed minimum crediting rates which vary from 2% to 6.5%. Thailand also offers a settlement option to policyholders where maturity proceeds can be placed on deposit with guaranteed rates of interest of 6% for dates of entry 1991 to 2003 and 2% from 2005 to 2008.

4.14 A number of territories have universal life contracts with guaranteed minimum crediting rates as follows: Singapore 3%, Malaysia 2%, Thailand 1%, China 1.75% to 2%, Vietnam 4%, Korea 2% to 5%.

Time value of options and guarantees

4.15 The embedded value methodology implemented for AIA Group makes implicit allowance for all sources of risk in the business including the cost of investment return guarantees and policyholder options, asset / liability mismatch risk, credit risk and the economic cost of capital through the use of a risk adjusted discount rate. Typically, the higher the risk discount rate, the greater the implied allowance for these factors.

4.16 The time value of options and guarantees arises from the variability of economic outcomes in the future. For major territories stochastic techniques have confirmed that the implicit quantum for risk as derived from AIA Group's embedded value methodology is sufficient to cover the cost of options and guarantees if they were explicitly valued, after an allowance for the cost of non-hedgeable risk.

Level of required capital

4.17 The more onerous of the local entity reserving and regulatory capital basis and the Hong Kong basis (at 150% of regulatory capital) for branches of AIA and AIA-B has been assumed. At 30 November 2009, the most onerous for AIA and AIA-B was the Hong Kong basis, and so for all territories other than the Philippines, Malaysia, Australia, Vietnam and Indonesia, the capital basis used was 150% of the Hong Kong regulatory basis. For the Philippines, Malaysia, Australia, Vietnam and Indonesia the impact of holding capital at the higher of the local entity reserving and regulatory capital basis and the Hong Kong basis (at 150% of regulatory capital) was considered but this was found to make no material impact on the embedded value results. The subsidiary nature of these companies led to the conclusion that it was more appropriate to include the local capital basis for these companies in the embedded value.

4.18 At the time of the global financial crisis certain regulatory authorities put in place measures that resulted in dividends and excess capital being held within the countries in question rather than flowing up to AIA Group. It has been assumed in the EEV results that any such regulatory restrictions on cash flows have been lifted.

Allowance for risk and risk discount rates

Overview

4.19 Under the EEV Principles, discount rates used to determine the present value of future cash flows are set equal to risk-free rates plus a risk margin. The risk margin reflects any non-diversifiable risk associated with the emergence of distributable earnings that is not allowed for elsewhere in the valuation.

4.20 Risk margins have generally been derived assuming that AIA Group is financed only with equity capital. The cost of equity capital is calculated using an estimated long term risk-free interest rate, an equity risk premium and a risk factor (beta).

4.21 The EEV Principles require that allowance is made in the embedded value for the potential impact on future shareholder cash flows of all financial options and guarantees within the in-force covered business. This allowance must include the time value of financial options and guarantees based on stochastic techniques consistent with the methodology and assumptions used in the underlying embedded value. Financial options and guarantees are not explicitly valued under the EEV methodology for AIA Group, but work has been performed using stochastic models to confirm that the allowance for risk implicit in the risk discount rates is sufficient.

4.22 The risk margin represents the aggregate of the allowance for market risk, additional allowance for credit risk where appropriate, allowance for non-diversifiable non-market risk, and uncertainty in non-market risks.

Market risk allowance

4.23 The allowance for market risk is represented by the multiple of beta and equity risk premium. The beta of a portfolio or product measures its relative market risk.

Additional credit risk allowance

4.24 The allowance for credit risk incorporated in the projected rates of return and the market risk allowance are sufficient. Accordingly, no additional allowance for credit risk is required.

Allowance for non-diversifiable non-market risks

4.25 The allowance for non-diversifiable non-market risk which is implicit in the risk discount rate is sufficient to cover the allowance of 50 basis points in the risk discount rate which Prudential assumes for the majority of its own business.

Management actions

4.26 In assessing whether the implicit allowance for the time value of financial options and guarantees in the risk discount rate is sufficient, the stochastic model used assumes no management actions in response to emerging investment and fund solvency conditions.

Pension costs

4.27 There are no material defined benefit pension schemes within AIA Group.

Debt capital

4.28 There are no core structural debt liabilities and no market traded debt liabilities. At 30 November 2009 AIA Group had borrowings totalling US$688m, of which US$603m was on variable interest rate terms.

Inter-company arrangements

4.29 The embedded value results include the effects of both internal and external reinsurance. The embedded value results for covered business incorporate the effect of any inter-company reinsurance arrangements that are in place and consistency of assumptions is maintained between the covered territories involved in any such arrangement.

Foreign currency translation

4.30 Foreign currency embedded value and value of new business results have been translated at the prevailing rate on 30 November 2009.

Table 1

Local Currency: US$1	Closing rate at 30 November 2009
AIA Hong Kong	7.750
AIA Thailand	33.24
AIA Singapore	1.385
AIA Malaysia	3.392
AIA China	6.828
AIA Korea	1,163
AIA Australia	1.094
AIA Brunei	1.385
AIA Indonesia	9,434
AIA New Zealand	1.400
Philamlife	47.21
AIA Taiwan	32.17
AIA Vietnam	18,518

5 Assumptions

Best estimate assumptions

5.1 Best estimate assumptions are used for the cash flow projections, where best estimate is defined as the mean of the distribution of future possible outcomes.

Principal economic assumptions

5.2 Returns on existing fixed income assets have been set to be consistent with the valuation of the assets backing the policy liabilities, i.e. current market yields. In determining returns on fixed interest assets the company allows for the risk of default and this allowance varies by credit rating of the underlying asset.

5.3 Long term returns for fixed income assets reflect expected returns having regard to historical returns, estimates of long term forward rates from yields available on Government bonds and current bond yields.

5.4 Equity returns have been determined by reference to the projected long term yield on 10-year government bonds plus an equity risk premium which varies by territory with a maximum risk premium of 600 basis points.

5.5 For each Business Unit, certain distinct product groups have been identified within the non-linked portfolio and the returns for each of these product groups have been derived by considering current and future targeted asset mix and associated investment returns for major investment classes. Where returns on existing fixed interest assets differ markedly from long term returns, returns are assumed to grade to the long term returns linearly over the estimated mean term of the existing fixed interest assets.

5.6 For unit-linked and universal life business, fund growth assumptions have been determined using actual fund mix at the valuation date and expected long term returns for major asset classes.

5.7 The table below summarises the principal financial assumptions:

Table 2

	AIA Australia	AIA China	AIA Hong Kong	AIA Indonesia (US$ denominated)	AIA Indonesia (Rupiah denominated)	AIA Korea	AIA Malaysia
Risk discount rate	9.0%	10.00%	8.00%	12.50%	17.00%	10.00%	9.00%
Expected long term rate of inflation	2.5%	2.0%	2.0%	6.0%	6.0%	3.5%	3.0%
10 year Government bond yield	5.75%	3.74%	3.83%	6.92%	11.00%	5.16%	4.46%

	AIA New Zealand	Philamlife	AIA Singapore & Brunei	AIA Taiwan	AIA Thailand	AIA Vietnam
Risk discount rate	9.00%	14.00%	7.50%	8.00%	10.00%	16.00%
Expected long term rate of inflation	2.0%	4.5%	2.0%	1.0%	2.0%	5.0%
10 year Government bond yield	6.30%	7.47%	2.93%	1.73%	4.16%	9.25%

	30 November 2009
Weighted risk discount rate[1]	
- New business	9.2%
- In-force	8.7%

[1] The weighted risk discount rates shown above have been determined by weighting each country's risk discount rates by reference to the EEV basis new business result and the closing value of in-force business.

Demographic assumptions

5.8 Persistency, mortality and morbidity assumptions are based on an analysis of recent experience but may also reflect best expectations of future experience where this is expected to be markedly different to short term historic data.

Expense assumptions

5.9 Expense levels are based on internal expense analysis investigations and are appropriately allocated to the acquisition of new business and the renewal of in-force business within individual Business Units. Certain expenses incurred by AIA Group are not included in this allocation.

5.10 Unallocated Group office expenses, after excluding one off items, have been allocated between acquisition and maintenance activities. Group office acquisition expenses have been deducted from the value of new business and the present value of projected future Group office maintenance expenses has been deducted from the EEV. Unallocated Group office expenses allocated to maintenance activities have also been allowed for in the maintenance expense assumptions used to determine the value of new business.

5.11 For Business Units that are in a development phase, maintenance expenses are assumed to reach their long term levels within a defined period based on projected new business levels. The present value of this implied short term expense overrun is a deduction from the value of in-force business based on overruns as follows:

Table 3

US$m	2010	2011	2012	2013	2014
AIA China	17	9			
AIA Vietnam	4	4	3	3	1

5.12 For Business Units that are in a development phase (China and Vietnam), or where the 2009 new business volumes were significantly lower than in previous years (most notably Hong Kong and Singapore), the value of new business has been determined using expected future acquisition expense assumptions rather than actual acquisition expenses during the valuation period. Much of AIA Group's distribution expenses are fixed in the short term and this, coupled with short term incentive payments made to retain high performing agents, meant the reduced new business volumes resulted in an excess of actual acquisition expenses compared to acquisition expense allowances. There was a significant increase in new business volumes during the second half of the year, ie. 1 June 2009 to 30 November 2009. This rebound in new business volumes led to the conclusion that it was more meaningful to present the value of new business excluding the expense overrun, with the overruns being disclosed separately. The excess of 2009 acquisition expenses above those reflected in the value of new business is as follows:

Table 4

US$m	Excess expenses
AIA China	34
AIA Vietnam	6
AIA Hong Kong	52
AIA Singapore	25
Other markets	10
Total	**127**

5.13 The present value of future after-tax Group office expenses has been deducted from the Group embedded value. These group expenses have been allocated to acquisition and maintenance activities. A deduction is made from the value of new business and value of in-force business respectively.

Taxation and other legislation

5.14 As at 31 December 2009, the Ministry of Finance of China introduced new principles-based reserving standards. These changes were not allowed for in the embedded value calculated at 30 November 2009 since the reserving and capital requirements are based on the Hong Kong basis and the changes would not have a significant impact on value.

6 Summary of AIA Group's embedded value as at 30 November 2009

Table 5

US$m	Free surplus	Required capital	Adjusted net worth	Value of in-force business after tax and before cost of capital	Cost of capital	Value of in-force business after tax and after cost of capital	Embedded value
Hong Kong	3,196	838	4,034	5,272	223	5,049	9,082
Singapore & Brunei	601	771	1,372	1,973	357	1,616	2,988
Thailand	2,602	298	2,900	1,687	184	1,503	4,403
Korea	411	259	671	985	162	823	1,494
China	252	35	287	952	63	889	1,176
Malaysia	219	289	508	470	106	363	871
Other markets	1,011	409	1,420	800	145	655	2,075
Value of Group office expenses	—	—	—	(545)	—	(545)	(545)
Other assets(1)	1,044	—	1,044	—	—	—	1,044
Total on local statutory basis	**9,335**	**2,899**	**12,234**	**11,595**	**1,241**	**10,353**	**22,587**
Adjustment to reflect Hong Kong reserving and cost of capital requirements	(5,313)	844	(4,469)	3,957	122	3,834	(635)
Total on Hong Kong statutory basis	**4,022**	**3,742**	**7,765**	**15,552**	**1,364**	**14,188**	**21,953**

(1) The other assets line of US$1,044m relates to adjustments of the IFRS balance sheet of approximately US$756m for third party interests, cash equivalent holdings and fair valuation adjustments of certain equity type assets, a revaluation of real estate of approximately US$340m and certain tax and intangible asset effects.

7 Analysis of new business contribution

Table 6

	2009 US$m							2009	
	New business premiums		Annual premium and contribution equivalents	Present value of new business premiums	Pre-tax new business contribution[1]	Tax[2]	Post-tax new business contribution	Pre-tax new business margin	
	Single	Regular	(APE)	(PVNBP)				APE	PVNBP
Hong Kong	650	421	486	2,092	206	—	206	42%	9.8%
Singapore & Brunei	409	128	169	1,375	132	27	105	78%	9.6%
Thailand	126	376	389	2,044	218	93	124	56%	10.6%
Korea	7	374	375	1,622	103	27	76	27%	6.3%
China	167	171	188	914	73	25	47	39%	7.9%
Malaysia	32	109	112	576	45	16	29	40%	7.8%
Other markets	51	370	375	2,139	127	39	88	34%	5.9%
Value of Group office expenses	—	—	—	—	(40)	—	(40)	—	—
Total on local statutory basis	**1,443**	**1,949**	**2,094**	**10,761**	**862**	**227**	**635**	**41%**	**8.0%**
Adjustment to reflect Hong Kong reserving and cost of capital requirements	—	—	—	—	(26)	—	(26)	—	—
Total on Hong Kong statutory basis	**1,443**	**1,949**	**2,094**	**10,761**	**837**	**227**	**610**	**40%**	**7.8%**

1 Pre-tax new business contribution is taken as the reported value of new business, adding back the present value of local tax for all countries other than Singapore, Malaysia, Hong Kong and the Philippines. For Hong Kong and the Philippines, tax is premium driven and is treated as an expense and hence is not included as shareholder tax. For Singapore and Malaysia, the corporate tax rate is used for grossing up as the cash-flow taxes include policyholder tax.

2 The tax rates assumed in the value of new business reflect the corporate tax rate relevant to the AIA entity in question and allows for the impact of tax on income on the capital requirements where relevant. For Thailand, the corporate tax rate on profits is 30%, but due to the fact that the tax is accelerated and is payable before the statutory profits are made, the implied effective tax rate is significantly higher than 30%.

3 For Hong Kong, Group office expenses are the same before tax as after tax as only premium tax is payable.

8 Holding company net borrowings

Table 7

	2009 US$m		
	IFRS basis	Mark to market value adjustment	EEV basis at market value
Borrowings[1]	688	—	688

1 AIA borrowings at 30 November 2009 were US$688 million comprising bank loans of US$549 million, bank overdrafts of US$85 million and other loans of US$54 million. As the interest rates on loans reflect market rates, fair value approximates to market value. The most material financing transaction is a five year variable rate term loan facility dated 23 November 2007 relating to the refinancing of a loan facility for AIA Central, the AIA Group headquarters in Hong Kong. The available facility and amount outstanding as of 30 November 2009 was US$542 million.

9 New business capital usage

Table 8

	2009 US$m		
	Free Surplus invested in new business[1]	Post-tax new business contribution	Post-tax new business contribution per US$1m free surplus invested
Total	**982**	**610**	**0.62**

1 Free surplus invested in new business is the sum of the statutory loss on new business as at 30 November 2009 (US$683m) and the required capital invested (US$299m). Both the free surplus invested and the post tax new business contribution include Group office expenses.

10 Expected transfer of value of in-force business to free surplus

10.1 The table below shows how the value of in-force business generated by the in-force business at 30 November 2009 and the associated required capital is modelled as emerging into free surplus over future years.

Table 9

	2009 US$m									
	2009 total as shown in Table 5	Expected period of conversion of future post-tax distributable earnings and required capital flows to free surplus								
		Year 1	Year 2	Year 3	Year 4	Year 5	Years 6-10	Years 11-15	Years 16-20	Years 20+
Total	17,930[1]	2,053	1,745	1,504	1,357	1,217	4,353	2,616	1,348	1,737
Annual conversion		11.4%	9.7%	8.4%	7.6%	6.8%	24.3%	14.6%	7.5%	9.7%
Cumulative conversion		11.4%	21.1%	29.5%	37.1%	43.9%	68.2%	82.8%	90.3%	100%

1 The modelled cash flows use the same methodology underpinning AIA Group's embedded value reporting methodology and so are subject to the same assumptions and sensitivities. The 2009 total of US$17,930m is consistent with Table 5 and equals the value of in-force business after tax and after cost of capital plus the required capital.

11 Sensitivity analysis

Sensitivity analysis — economic assumptions

11.1 The tables below show the sensitivity of the embedded value and value of new business as at 30 November 2009 and the new business contribution after the effect of required capital to the following:

- 1% increase and decrease in the discount rates; and
- 1% increase and decrease in projected earned rates, excluding consequential changes (for the avoidance of doubt, there is no change to the risk discount rate or to the market values of fixed interest assets).

11.2 In each sensitivity calculation, all other assumptions remain unchanged except for the investment return sensitivity where the projected with-profits bonus rates were changed to be consistent with the investment returns.

Table 10

Embedded value of long term operations at 30 November 2009 (US$m)	As reported	Discount rates 1% increase	Discount rates 1% decrease	Investment return 1% increase	Investment return 1% decrease
Hong Kong	9,082	8,545	9,742	9,863	8,315
Singapore & Brunei	2,988	2,793	3,222	3,347	2,634
Thailand	4,403	4,293	4,527	4,853	3,917
Korea	1,494	1,422	1,576	1,884	1,102
China	1,176	1,107	1,256	1,593	760
Malaysia	871	824	925	960	782
Other markets	2,075	2,026	2,135	2,316	1,836
Value of Group office expenses	(545)	(510)	(586)	(545)	(545)
Other assets	1,044	1,044	1,044	1,044	1,044
Total on local statutory basis	**22,587**	**21,544**	**23,841**	**25,316**	**19,844**
Adjustment to reflect Hong Kong reserving and cost of capital requirements	(635)	(910)	(323)	(269)	(1,016)
Total on Hong Kong statutory basis	**21,953**	**20,635**	**23,519**	**25,048**	**18,829**

Table 11

Post-tax new business contribution for 2009[1] (US$m)	As reported	Discount rates 1% increase	Discount rates 1% decrease	Investment return 1% increase	Investment return 1% decrease
Hong Kong	206	182	234	252	159
Singapore & Brunei	105	91	122	120	89
Thailand	124	106	145	151	98
Korea	76	65	88	102	49
China	47	39	57	71	24
Malaysia	29	25	34	35	23
Other markets	88	78	101	102	74
Value of Group office expenses	(40)	(38)	(42)	(40)	(40)
Total on local statutory basis	**635**	**547**	**740**	**794**	**476**
Adjustment to reflect Hong Kong reserving and cost of capital requirements	(26)	(38)	(12)	(8)	(45)
Total on Hong Kong statutory basis	**610**	**509**	**728**	**785**	**431**

1 Business written in the 12 months ending 30 November 2009

Sensitivity analysis — non-economic assumptions

11.3 The tables below show the sensitivity of the embedded value and the value of new business as at 30 November 2009 and the new business contribution after the effect of required capital for 2009 to the following:

- 10% proportionate decrease in maintenance expenses (a 10% sensitivity on a base assumption of £10 per annum would represent an expense assumption of £9 per annum);

- 10% proportionate increase and decrease in lapse rates (a 10% decrease sensitivity on a base assumption of 5% would represent a lapse rate of 4.5% per annum); and
- 5% proportionate increase and decrease in base mortality and morbidity rates (i.e. decreased and increased longevity respectively).

Table 12

Embedded value of long-term operations at 30 November 2009 (US$m)	As reported	Maintenance expenses 10% decrease	Lapse rates 10% increase	Lapse rates 10% decrease	Mortality and morbidity 5% increase	Mortality and morbidity 5% decrease
Hong Kong	9,082	9,146	8,983	9,197	8,883	9,286
Singapore & Brunei	2,988	3,020	2,938	3,044	2,864	3,107
Thailand	4,403	4,433	4,354	4,456	4,329	4,476
Korea	1,494	1,551	1,459	1,532	1,362	1,627
China	1,176	1,216	1,167	1,184	1,159	1,193
Malaysia	871	885	854	889	834	908
Other markets	2,075	2,121	2,042	2,114	2,025	2,125
Value of Group office expenses	(545)	(490)	(545)	(545)	(545)	(545)
Other assets	1,044	1,044	1,044	1,044	1,044	1,044
Total on local statutory basis	**22,587**	**22,925**	**22,296**	**22,913**	**21,954**	**23,222**
Adjustment to reflect Hong Kong reserving and cost of capital requirements	(635)	(636)	(636)	(627)	(611)	(655)
Total on Hong Kong statutory basis	**21,953**	**22,290**	**21,661**	**22,287**	**21,344**	**22,568**

Table 13

Post-tax new business contribution for 2009[1] (US$m)	As reported	Maintenance expenses 10% decrease	Lapse rates 10% increase	Lapse rates 10% decrease	Mortality and morbidity 5% increase	Mortality and morbidity 5% decrease
Hong Kong	206	211	199	213	189	223
Singapore & Brunei	105	108	98	113	92	118
Thailand	124	129	109	141	113	136
Korea	76	84	67	85	63	88
China	47	50	45	51	44	51
Malaysia	29	31	26	32	24	34
Other markets	88	98	78	100	65	111
Value of Group office expenses	(40)	(38)	(40)	(40)	(40)	(40)
Total on local statutory basis	**635**	**673**	**582**	**695**	**549**	**721**
Adjustment to reflect Hong Kong reserving and cost of capital requirements	(26)	(22)	(24)	(27)	(25)	(26)
Total on Hong Kong statutory basis	**610**	**651**	**558**	**668**	**524**	**695**

[1] Business written in the 12 months ending 30 November 2009

12 KPMG LLP opinion

12.1 In our opinion, subject to the reliances and limitations set out in this Report:

- the methodology used by Prudential in the calculation of the EEV components for AIA Group complies with the EEV Principles in all material respects;
- the material assumptions used by Prudential in the calculation of the EEV components for AIA Group comply with the EEV Principles; and
- the EEV components for AIA Group calculated by Prudential have been prepared using the methodology and assumptions set out in Sections 4 and 5 of this report and comply with the EEV Principles and Guidance with the exception of the disclosure points set out in the Basis of preparation in Section 3, in all material respects.

13 Reliances and limitations

13.1 In carrying out our work we have relied without independent verification upon the accuracy and completeness of the data and information provided to us, both in written and oral form, by Prudential. We have also relied on the Directors of Prudential having brought to our attention any other information or data which ought to have been made available to us which might materially affect our opinion set out herein. The Directors of Prudential have provided a letter of representation verifying the accuracy and completeness of the information utilised for this report.

13.2 Reliance has been placed upon, but not limited to, the following information:

- returns to local regulatory authorities and the return to the Hong Kong insurance regulatory authority for the financial year ending 30 November 2009 and supplementary information regarding actuarial reserving bases and mathematical reserves prepared during 2009, including the impact of restating liabilities to a Hong Kong statutory reserving basis;
- new business data for the period 1 December 2008 to 30 November 2009 for AIA Group;
- information on expenses incurred by Business Units, together with forecast future expense levels and new business volumes and unallocated group level expenses;
- details of past operating experience including persistency, mortality, morbidity, tax and expense analysis;
- details of AIA Group's embedded value manual;
- details of the assumptions used in the EEV calculations and their derivation;
- information relating to the process and control environment in which computer projection models used for the calculations were run;
- summaries of results from the projection models;
- information on current investment strategy;
- information relating to products, guarantees, options and fund structures for the Business Units within AIA Group;
- asset valuations at 30 November 2009;
- basis for taxation; and
- details of reinsurance arrangements.

13.3 This report must be considered in its entirety as it may be misleading to consider individual sections only.

13.4 This report was produced for the Directors of Prudential only to meet their requirements.

13.5 We have not assessed the value, quality or suitability of AIA Group's assets. We have also not investigated, or made any allowance for, any claims against AIA Group other than those made by policyholders under normal contractual terms of life insurance business. In particular, no account has been taken of liabilities in respect of pension entitlements, service contracts, leases, breaches of legislation, regulatory rules or guidance.

13.6 No investigation has been made into the accuracy of unit pricing and unit allocation procedures.

13.7 Prudential has made assumptions for AIA Group about future experience, including economic and investment experience, expenses, discontinuance rates, morbidity, mortality, taxation, legislation and reinsurance. We have considered these assumptions on the basis that they are reasonable estimates but actual future experience is likely to differ from these estimates due to random fluctuations, changes in the operating environment and other such factors. These variations could have a significant effect on the results and conclusions of the report. KPMG LLP gives no warranty that the assumptions made will be reflected in the actual future experience.

13.8 This report was based on data at 30 November 2009 and takes no account of any developments after that date.

13.9 Within certain calculations shown in this report, figures may not cast exactly due to rounding.

13.10 Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in this listing document.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the listing document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the listing document in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

Trevor A. D. Jones
Partner, KPMG LLP

Nick C. Dexter
Partner, KPMG LLP